

Economic Development America

COMPETING GLOBALLY ★ GROWING REGIONAL ECONOMIES ★ CREATING JOBS

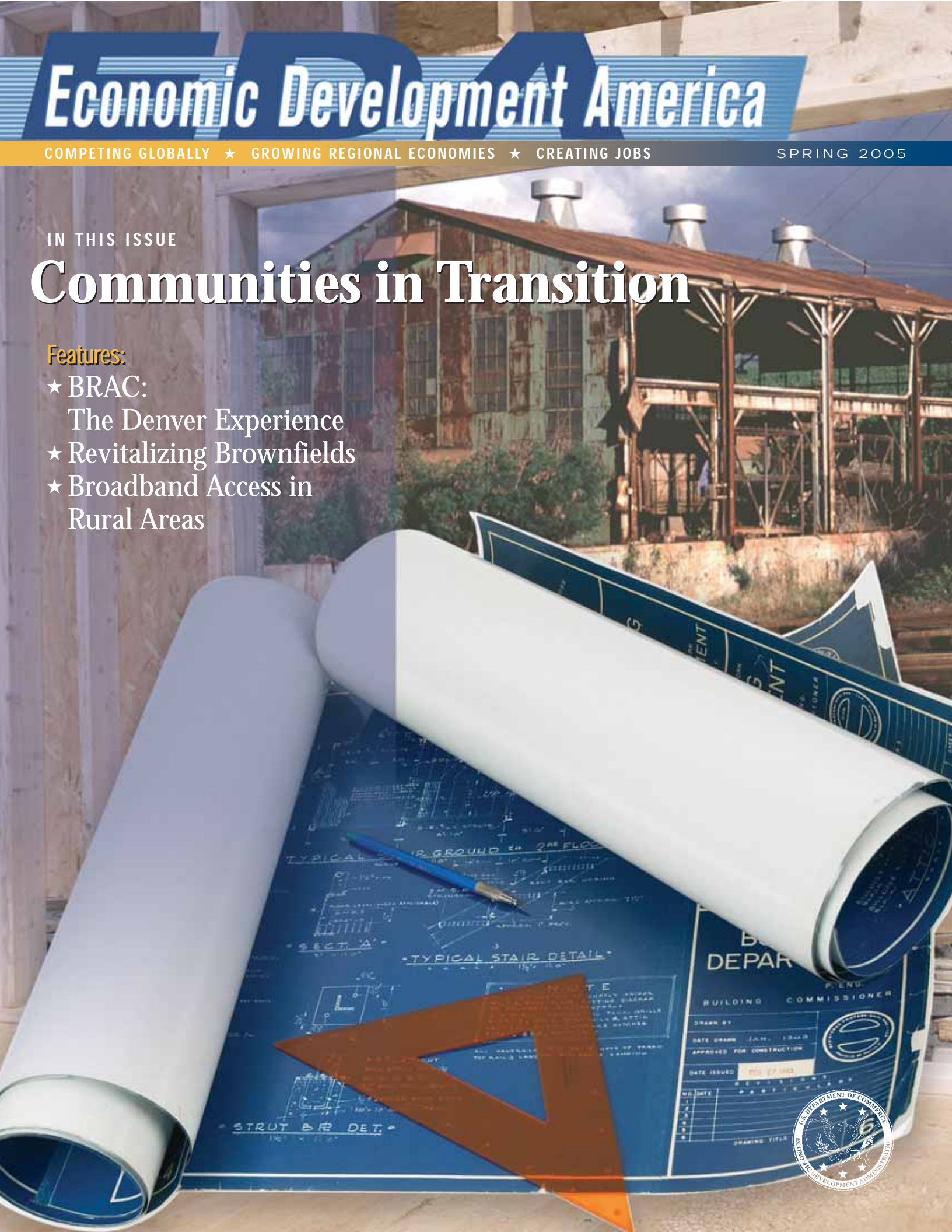
SPRING 2005

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Communities in Transition

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Strengthening America's Communities Advisory Committee Making Strong Progress

The Strengthening America's Communities Initiative, an innovative proposal to update and improve federal assistance to America's communities that need assistance the most, continues to draw strong interest from stakeholders and media organizations across the nation.

Recent media coverage of the SAC Initiative includes:

- Steven Malanga in the Spring 2005 issue of City Journal, published by the Manhattan Institute, which can be found at http://www.city-journal.org/html/issue_15_2.html;
- Elizabeth Brackett of "News Hour with Jim Lehrer" on PBS, which can be found at http://www.pbs.org/newshour/bb/economy/jan-june05/housing_4-7.html

Support among economic and community development thought leaders and practitioners and public officials continues to grow, as more is learned about the problems with the current federal system and how the Initiative will solve these problems and help America's communities transition to a 21st century economy.

The Strengthening America's Communities (SAC) Advisory Committee – a diverse group of economic and

community development experts appointed by the Secretary of Commerce – held meetings on April 15 in Fresno, California; May 13 in Kansas City, Missouri; and June 2 in Clearwater, Florida. Public comment sessions were held at the Kansas City and Clearwater meetings.

Based on deliberations at these meetings, the Advisory Committee will produce a report of recommendations and advice for the Secretary of Commerce on the implementation of the Strengthening America's Communities Initiative later this year.

Advisory Committee meeting agendas, transcripts and presentations, as well as background information on SACI, are available on the Initiative's Web page at www.doc.gov/SACI.

Please contact Matt Crow at the U.S. Department of Commerce at mcrow@eda.doc.gov or (202) 482-4085 with questions on the Strengthening America's Communities Initiative, or to schedule a briefing on the Initiative for your organization or group.



Next *Economic Development Today* Telecast: *Building a 21st Century, World-Class Workforce* July 27, 2005, 3:00 - 4:00 PM (Eastern)

The demand for higher-skill, higher-wage workers exceeds that of any time in our nation's past. New industries have emerged. Other industries that are just a gleam in the eye of today's inventor soon will be woven into the fabric of our economy. The constant of commerce in the 21st century will be the need for knowledge workers – people who possess high levels of specialized skills and training.

Two-thirds of America's economic growth in the 1990s resulted from the introduction of new technologies, and 60 percent of the new jobs of the 21st century will require post-secondary education that currently is held by only one-third of America's workforce. We must ensure that all American workers are able to equip themselves with the necessary tools for career success in this new and dynamic global economy. This will require local, regional, state and federal partnerships that closely link economic development and workforce development efforts.

The telecast will focus on how to advance bold new initiatives in workforce development that will enable America to maintain its economic strength. The telecast will feature research on how to build a world-class workforce and where gaps currently exist; Congressional efforts; perspective from the state of Mississippi, which has streamlined its workforce system; and local efforts that are putting these concepts into practice.

Scheduled guests include:

- Ms. Emily DeRocco, Employment and Training Administration, Assistant Secretary, United States Department of Labor
- Haley Barbour, Governor of Mississippi
- A representative from the Home Depot

For more information about the telecast and how to connect, please contact Peggy Tadej at (202) 986-1032 or tadej@narc.org.

Please note: The June 19 telecast has been rescheduled with a date TBD.



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Economic Development America is a quarterly production brought to you as a benefit of a partnership among the Economic Development Administration (EDA), the International Economic Development Council (IEDC) and the National Association of Regional Councils (NARC). The partnership is designed to provide information about economic development practices and programs to economic development practitioners who serve distressed communities throughout the United States. It also provides six telecasts and a monthly e-newsletter, EDA Update. For more information, visit the EDA Web site at www.eda.gov.

Story ideas are invited and should be addressed to editor **Louise Anderson**, telephone (828) 350-8855, email landerson@iedconline.org.

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BRAC – The Denver Experience

By Michael Leccese In the early 1990s, the Denver region remained gripped by recession. Despite its sunny setting and Rocky Mountain backyard, the region was losing jobs and population. Although the high tech sector drove a late-1990s recovery, few analysts read good news into the announced closures of two of the region's largest military installations: Lowry Air Force Base in Denver and the Fitzsimons Army Medical Base (FAMC) just blocks away in Aurora. At its peak, the 1,866-acre Lowry (part of which overlaps into Aurora) provided 7,500 civilian jobs and economic benefits worth \$295 million annually to Denver and Aurora, Denver's largest neighbor with 276,000 residents. The 578-acre Fitzsimons campus employed nearly 5,000 in 283 buildings totaling three million square feet.

Ten years later, both sites decommissioned under provisions of the Defense Base Realignment and Closure Act of 1990 (BRAC) are well into model transformations. The two projects share elements of success that provide models for other communities planning for base closure. Both were public-

private partnerships in which incentives attracted additional private and institutional investment. Citizen involvement shaped both proposals and plans, and appealing mixed-use areas, parks, greenways, and public transit connect both sites to adjacent communities.

As a result, Lowry and Fitzsimons have reached marketplace success much faster than anticipated, while driving an economic engine that is helping the region recover from its latest boom-bust cycle. "Lowry and Fitzsimons demonstrate there is life after closure," says Tom Markham, executive director of the Lowry Redevelopment Authority (LRA) and president of NAID, An Association of Defense Communities (NAID/ADC).

Since closing in 1994 and then breaking ground in 1997, Lowry has become one of Denver's hottest neighborhoods. Nearly 3,000 new homes for 6,500 residents now command premium prices. More than 100 employers provide 6,500 jobs. Ten schools have moved in, and 800 acres of parkland are under development. To date, the LRA estimates a \$4 billion economic benefit to the state.

Founded in 1918 as an Army Hospital and shuttered in 1999, Fitzsimons has been reborn as a job-producing powerhouse featuring a university hospital complex and associated bioscience research park. Projected at a 15-million-square-foot buildout, the new Fitzsimons medical facilities now employ 5,300 and will expand to 13,000 jobs by 2007. Five years ago, experts thought Fitzsimons would take 50 to 100 years to refill, but almost all the land is already redeveloped or spoken for.



As an urban infill project, Lowry has created a diverse community that's close to the culture and excitement of the city.

Along with the redevelopment of the 7.5-square-mile Stapleton International Airport as a huge new neighborhood, Lowry and Fitzsimons frame Northeast Denver's "Growth Triangle," where \$9.6 billion in investment will produce 20 percent of the region's new jobs through 2020. Stapleton and Fitzsimons share a boundary, and Lowry is only blocks away.

The three huge projects complement each other nicely. For example, Lowry and Stapleton house many Fitzsimons doctors and nurses. Both neighborhoods plan their own medical centers or bioscience parks to catch anticipated spillover from Fitzsimons.

In a region that treasures outdoor recreation, open space plans enhance these redevelopment strategies. A third shuttered military facility, the 17,000-acre Rocky Mountain Arsenal, is becoming a National Wildlife Refuge linked to the Growth Triangle by regional trails. A small corner of the Arsenal – about 360 acres – is being devoted to Prairie Gateway, yet another public-private venture to include a Wildlife Refuge visitor center, civic center for the community of Commerce City, youth soccer fields, retail development and a 20,000-seat, single-purpose stadium for Colorado Rapids major league soccer. The \$130 million complex was scheduled to break ground this spring.

Meanwhile, the Denver region continues to benefit from Aurora's 3,200-acre Buckley Air Force Base. In 2004, Buckley contributed \$1.2 billion to the regional economy, including 17,000 associated civilian jobs and \$41 million in construction.

LOWRY

Lowry: Life after closure

Created in 1937, Lowry grew into one of five centers in the Air Training Command. Expansion

continued even after flying ended at Lowry when a military plane crashed in a Denver backyard in 1965. Lowry was closed as part of the 1991 round of base closures. After it was decommissioned in 1994, the new LRA took responsibility for redeveloping the property.

"Lowry was the original poster child for base reuse planning," says the LRA's Markham. "Fortunately, we hit the market with the right project at the right time. Three years ahead of schedule, we are 80 percent built and probably one of the top four or five base reuse projects nationwide."

The LRA had the advantage of a strong private-sector real estate orientation. Then headed by James E. Meadows, an Air Force veteran and experienced housing developer, the LRA soon began to tackle such challenges as environmental cleanup (which has cost \$82 million to date), a perceived lack of market demand, and neighborhood opposition to base reuse, mostly over fear of increased traffic congestion. It was to be a shotgun marriage between the new Lowry and older neighborhoods around it. While neighbors decried Lowry's potential density and congestion, the LRA was charged with reintegrating the site with the larger community.

This was worked out through an exhaustive planning process involving teams of consultants and representatives of

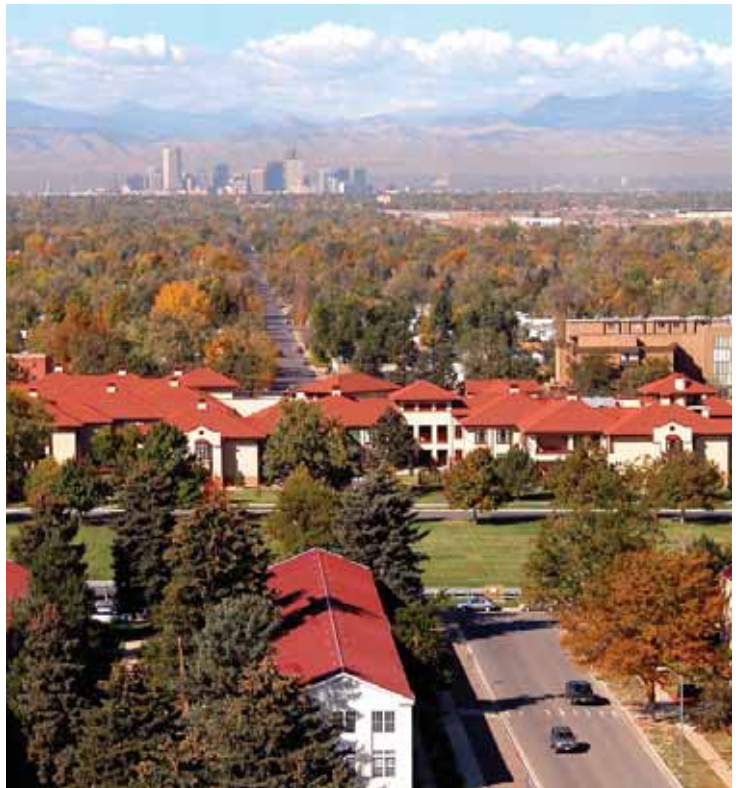
39 neighborhood groups. Over five years, more than 300 meetings were held involving about 6,000 citizens.

The result: an ambitious master plan for 4,500 homes, a mixed-use town center, educational facilities, 185 acres of office buildings, and 800 acres of parks. Some experts doubted that sleepy northeast Denver and working-class Aurora could attract development on this scale. But success has come sooner and with higher values than planners anticipated.

Housing is the main story. The LRA successfully attracted production homebuilders to buy lots and build thousands of homes. This was no foregone conclusion, as homebuilders needed to be convinced of the value of customizing their standard models to meet Lowry's design guidelines for traditional-style homes located on alleys.

A unique product resulted. Homes in many styles and price ranges in four neighborhoods have won over buyers willing to pay a premium to live in the city. In 2004, the Lowry zip code commanded the region's highest median home prices at over half a million dollars.

In 2002, the \$20-million, 11-acre Lowry Town Center opened to similar success. Anchored by a large grocer, the fully leased, Main Street-style Town Center has attracted 42 other shops, including a locally owned bike shop, tailor, toy store, and home furnishings. New construction has augmented the adaptive reuse of key historic buildings to create a walkable neighborhood around the Town Center.



Housing is the main story at Lowry, where homes were built in many styles and price ranges.



The 160-acre Colorado Bioscience Park Aurora is playing an integral role in the region's biotech boom.



With almost every state hoping for a biotech boom, Colorado officials believe Fitzsimons - the largest facility of its type between the Mississippi and the Pacific - will provide a competitive advantage to attract companies that need to be near first-class facilities.

Center, and the 600,000-square-foot, twin tower Research Complex I. The \$450 million Children's Hospital broke ground in early 2004 and will open in late 2007. These buildings are grouped in a landscaped, campus-like setting around Building 500, where Ike's hospital suite has been preserved as a museum.

To be completed by 2010, the project is being funded through federal and state sources, UCDHSC reserves, revenue bonds and philanthropy. The state and UCDHSC have taken advantage of the 40-year low in interest rates to accelerate the project schedule by four years.

The private Biosciences Park Aurora aims to link publicly funded medical research to private sector jobs in the biosciences. These efforts have gained importance as Colorado's sizzling late 1990s economy hit a 21st-century skid, with 31,500 layoffs in technology and telecommunications in 2001 alone. With almost every state hoping for a biotech boom, Colorado officials believe Fitzsimons - the largest facility of its type between the Mississippi and the Pacific - will provide a competitive advantage to attract companies that need to be near first-class research facilities.

Fitzsimons even includes a bit of living space. Located at the heart of this square-mile redevelopment, the \$57 million Fitzsimons Commons promises walk-to-work convenience in four-story buildings with more than 500 apartments over ground-floor retail and restaurants. The project will debut in 2006 right next to a planned light rail station connecting Fitzsimons to 110 miles of regional transit - part of the recently approved \$4.7 billion FasTracks initiative.

With their rapid marketplace success and campus-like settings, Fitzsimons and Lowry are providing models for all kinds of redevelopment, not just base reuse. "Stapleton, Lowry, and Fitzsimons are excellent examples of recycling urban land," says Hank Baker, senior vice president of Forest City Stapleton, Inc., Stapleton's developer. "Beyond that, they include the parks, bike trails, and walkable town centers that appeal to the 'cultural creatives' who drive regional economic growth. These are the amenities in demand today when people seek to move their families and their businesses, and thus are the underpinnings of successful redevelopment."

Like most redevelopment, base closure and reuse is a more complicated process than the development of vacant land. It faces such challenges as uncertain market demand for new real estate products, environmental concerns, potential objections from neighbors, and lingering resentment and fear from closure itself. Concerned about losing so many jobs in the city, Aurora officials initially contested the closure of Fitzsimons.

Fitzsimons and Lowry suggest these challenges can be met with new opportunities for economic development. Ultimately, Aurora officials seized the opportunity to work with their citizens, the federal government, the FRA, and the University of Colorado at Denver Health Sciences Center to shape a visionary proposal for Fitzsimons. When it is proposed and under way, base closure is almost never embraced by the community.

The Denver region's positive outcome took 15 years to attain. "While the military's presence will always be missed," explains Markham, "the story of this region - how it faced the challenge of closure to create new economic opportunities - is an important lesson for all communities facing a similar fate in the upcoming round of BRAC. The work has not been easy, but as the dust has cleared and visions come alive, we've become stronger as a community and as a region." ★★

Rural Sourcing, Inc.:

Bringing High Tech Jobs to Rural America

An Economic Development America

interview with Dr. Kathy White



By Louise Anderson

*International Economic
Development Council*

Dr. Kathy Brittain White is the founder and president of Rural Sourcing, Inc. (RSI), a Jonesboro, Arkansas-based company that is developing information technology employment in rural areas in the U.S. using the global outsourcing model.

RSI offers technology workers at a competitive cost. A recent survey by Mercer Human Resource Consulting in New York confirms the low cost of doing business in Little Rock, Arkansas – more than 30 percent below a metropolitan area such as

San Francisco. Operating expenses can be even further reduced when employees are located in rural areas throughout the United States. As an additional benefit, keeping business on-shore ensures familiar and more reliable legal and social environments.

RSI currently has its main office in Jonesboro, home of Arkansas State University (White's alma mater), and is preparing to open its second regional center in the eastern North Carolina town of Greenville. It also has three satellite offices – all with billable employees – in two other locations in Arkansas, plus one in New Mexico. Now in its first full year, RSI aims to grow to 50 employees by the end of 2005.

White was executive vice president and chief information officer at Cardinal Health, Inc., before starting RSI in 2003. Previously, she held executive positions with two other corporations and also was an associate professor of information technology at the University of North Carolina at Greensboro. Her involvement with Arkansas State University as an alumna played a role in RSI's genesis.

In this interview with *Economic Development America*, White talks about RSI's origins and business model.

You were at Cardinal Health before you started Rural Sourcing. How did the idea germinate?

I was having trouble retaining people in the 1995 period because people were jumping ship. That's when we didn't have enough IT workers for the jobs; we were ramping up for Y2K.

So we started going back [to Arkansas State] with a virtual internship program. Interns worked 12 hours a week in a facility on campus...the first outsourcing. Then, when we tried to recruit them to Cardinal Health's locations, most of them would not move. As offshoring became a huge initiative, it was evident that we did not need to move American workers to the work; instead, we could move the work to them. That's really the premise of the idea.

The virtual internship program expanded to three locations in two states and I saw firsthand the caliber of work that was done. I learned a lot from these pilot programs and believed we could replicate the model in an expanded way.

How did you finally make the leap from Cardinal to starting Rural Sourcing?

Before I left Cardinal, I set up a foundation for technology in Arkansas and committed \$2 million to economic development and technology outreach. I was searching for something that I could do to integrate my passion and technology skills. Rural Sourcing is it.

How do you choose new areas for centers?

Rural Sourcing has to be profitable to be sustainable. Once it was no longer just an outreach program, the criteria changed. We require a respected regional university in the area with a strong computer science and information systems program. Their curriculum is evaluated to determine if the skills are the ones we have identified as our core capabilities. We also locate in areas that have 35 to 50 percent lower cost of living than major metro areas. We like to choose locations that have a nice quality of life that would attract people back to the area or entice experienced professionals to move to the region.

We have been the most successful when a collaborative team from the region embraces the concept and works diligently with us to open a center and publicize the opportunities. We have been very fortunate to have located in a number of areas that fit this description.

How do you get the business to go into these centers?

We have been very fortunate that the concept of on-shoring has resonated with the national media, especially in a time when many jobs are going off-shore and Americans are losing jobs. We also work very hard to gain visibility, meet with potential customers and seek help from regional leaders. One of our real competitive advantages, I think, is that I've worked in the [IT] field for a very long time and know a lot of information technology leaders. All of these things are helping bring work into the centers.



Kathy White, right, brought her corporate career in information technology together with her ties to Arkansas State University to start Rural Sourcing, Inc.

So you're getting business on two ends...you're finding the places and the people and you're also finding the work.

I think of it as supply and demand. We needed talented people able to provide high-quality technology services. We're a consulting business, so we've got to find people that in short order can be productive, and we've got to find locations. We have to have a skill set to compete with offshore employees. Those are the two real challenges, matching supply and demand.

If a company is thinking about outsourcing its IT work and they're looking at Rural Sourcing and they're looking at India, why would they choose Rural Sourcing?

That is a very good question. There are people who feel that their own business model does not work going offshore, so there are a lot of companies that would not go to India. I think for companies that have tried offshoring, there are some that have not had a very positive experience because of the dynamic nature of their own application development. It takes a lot of communication and a lot of interaction to complete complex software development projects.

Some of our employees are able to spend some time on client sites and then work at other times from our centers. That is much easier when you are located in the United States. So the client knows who's working on their project, and they see the same people when they go back to our center. Our cost structure is fairly competitive with India, and as we expand and as we get a more comprehensive skill set offering I think that's going to help us be very competitive.

What is the price differential between Rural Sourcing and India?

Prices in India range from \$20 - \$40 per hour for systems engineers. Our blended rate is between \$38 - \$48. That is very low for domestic technology employees. The other thing is, you wouldn't [go offshore] for a two- to three-month project. Legal work and documentation can take up to as much as six to 12 months, so there is an upfront expense. We're much easier to work with on small or shorter-term projects.

To talk about rural economic development in general...obviously this is an interest and passion of yours. Rural America has been struggling for some time, with manufacturing moving out. You're not bringing just any jobs there, you're bringing knowledge workers...

No one knows how big or little we can be. But I do think – and I hope – that we can be a catalyst for rural America to think about other knowledge work. Many services can be done remotely.

So not to tell your readers that this is the panacea, but this is one example. Service businesses require less overhead, and in many regions can use existing buildings.

I think there are a lot of opportunities. There's a lot of things you can put on the Internet. I know of companies that are doing things like mailing specialty foods, there's a lot of craft...the Internet and technology has changed our world, it's changed our reach. I'm not brilliant; this is just about the computer and its capabilities, and I think that's the exciting part.



Some of Rural Sourcing's Jonesboro staff began as college interns.

"I do think - and I hope - that we can be a catalyst for rural America to think about other knowledge work. Many services can be done remotely."

When I first talked to you about doing this interview, you said you didn't want anyone to get their hopes up too high about possibly attracting RSI.

Well, we have had so much press. We were on NBC in December, and [afterward] we just got everybody calling from every state, wanting us to come and visit. We're still so small that we had to say no unless we really believed that it was imminent that we could do business with them.

I don't see right now in the next 12-18 months that we're going to a lot of other states. We're going to have to do what I call clustering to be able to use the management that we have to physically visit the sites. It's just practical that if we don't get profitable in the next two to three years, we won't be able to expand at all. It [RSI] is a great idea, I do believe in it tremendously, but it is something that has to be proven.

Do you have any other thoughts or perspective on rural economic development in general that you'd like to offer?

I think we underestimate it. It's always easy to think about what we don't have. The folks that I'm hiring could have been great anywhere. I love their attitude, their can-do, their eagerness, their passion for opportunity. We need to look at what we do have, good people, honest, who give more than is expected. In the customer service business we can do so many things that I think we can really stand out.

Looking to the future and your expansion plans...

We're looking at a couple of sites...we're in discussions with some folks that if we move there they would almost come with their set of customers...so I'm not sure yet. I would like to get these two centers [Jonesboro and Greenville] to between 50-100 people, maybe not before we start the next one, but my goal is to really build out so we can get some critical mass. Instead of 20 [employees] in 10 locations, a customer wants to see that you have the scale so that you can meet their needs - particularly the big companies - and so we need to have a center that at least has those kinds of numbers. ★★ ★

Revitalizing Brownfields:

New Benefits from Old Sites

By Charles Bartsch

Northeast-Midwest Institute

The issue of brownfields first burst onto the economic development scene in 1991, following several court rulings related to responsibility for contamination.

Since that time, they have become a major concern in communities all across the country, but especially those struggling to make the transition from an obsolete to a modern economy. They pose significant challenges for local officials and economic development agencies, but also significant opportunities.

The voluntary cleanup programs (VCPs) now in place in virtually all states have gone a long way towards addressing key brownfield concerns and bringing more certainty to site reuse, but local governments are still typically finding brownfield redevelopment to be a costly proposition. The complicated process and legal hurdles of acquiring, cleaning and reusing these sites can be expensive in terms of site preparation expenses and fees, and costly in terms of time delays. In many situations, private developers and financial institutions are not able or willing to act on their own to ensure that the full economic potential of site reuse will be achieved.

Critical funding gaps are, in fact, the primary deterrent to site and facility reuse. Local governments, though, can find creative ways to help overcome the obstacles that environmental contamination brings to the economics of site reuse. For decades, local governments have used public finance and related mechanisms to stimulate economic activity in certain geographic areas or industries. Now, publicly-driven economic development initiatives are reaching into new sectors and incorporating new concerns, such as environmental improvement.

Promoting reuse: What goals should incentives seek?

Incentives for private sector participation in brownfield cleanup and reuse, tailored to sites' specific needs, should be able to meet one or more of the following goals:

- *Reducing the lender's risk* – make capital more available by providing incentives for lending institutions to help companies or projects at sites deemed very risky because of their prior uses;

- *Reducing the borrower's cost of financing* – make capital more affordable by subsidizing loan carrying costs, or with initiatives that reduce loan underwriting and documentation costs; and
- *Easing the developer's or site user's financial situation* – incentives such as tax credits can help improve the project's cash flow.

Public-sector support does not have to be limited to helping specific companies; other related activities can be financed that help improve the broader brownfield investment climate. For example, localities can assume some of the responsibilities for site preparation and cleanup, recovering some of their costs during subsequent site sale or development. They can support brownfield activities by allocating public works resources, or earmarking tax revenues or loan repayments from other programs to help pay for necessary project activities, such as site testing or soil removal. And, communities can promote “no cost” initiatives such as inter-agency streamlining and links to cost-saving innovative cleanup technologies.

Local brownfield initiatives: What tools are available?

Through creatively crafted and carefully targeted incentives and assistance, local and state governments, in many respects, are the innovators in leveling the economic playing field between greenfield and brownfield sites. Typically, brownfield success stories are found in places that have adopted their own site characterization and reuse tools and have built creatively on the foundation provided by federal programs and policies.

Many jurisdictions have or are currently setting up finance programs to ease the cost of borrowing, augment private funds, or fill funding gaps that the private sector will not bridge. These tools include:

The “**tried-and-true.**” Many efforts involve placing a new brownfields “spin” on traditional tools, which, briefly, include:

- **Tax increment finance (TIF):** TIF has traditionally been used for local revitalization efforts, usually in economically distressed areas. TIF is the most common local financing tool used for brownfield redevelopment.
- **Tax abatements:** Commonly used to stimulate investments in building improvements or new construction, they give local governments a workable, flexible incentive that helps influence private development decisions.
- **General obligation bonds:** Cities traditionally issue G.O. bonds for acquiring land, preparing sites, and making infrastructure improvements.

Brownfield reuse initiatives have tallied some impressive results, as tracked through states’ VCPs:

- 365 projects in California are credited with creating more than 21,000 jobs, stimulating \$475 million in annual tax revenues, and adding 5,200 housing units and 13 million square feet of industrial, office, and commercial space.
- Cleanups have occurred in 60 of Pennsylvania’s 67 counties, creating 15,000 jobs.
- Michigan communities have reported \$458.7 million in private investment and 5,432 jobs stemming from brownfield cleanups.
- Rhode Island saw more than \$80 million in new property value generated from 97 businesses that have located on brownfield sites;
- Wisconsin attributed more than 4,000 new jobs to 88 brownfield projects;
- Minnesota, which has one the nation’s oldest programs, estimates that its VCP has leveraged almost \$1 billion in private investment, including construction of nearly 5,700 housing units; and
- Florida claims cumulative creation of 3,274 direct jobs and 2,600 indirect jobs, as well as \$172 million in new investment in its designated brownfield areas.

Program innovations. Already, a variety of financial assistance programs and incentives are in place to promote economic development. These could be redefined and more explicitly packaged and promoted for potential developers and lenders to use to acquire, clean, and rehabilitate brown-field sites. Alternatives being considered include:

- Earmarking some portion of grant, loan, or tax incentive program resources to applicants proposing site characterization or cleanup projects;
- developing a municipal “linked deposit” program targeted to brownfield projects;
- targeting various local franchise or use tax incentives to brownfield projects;
- channeling some portion of loan repayments from existing city programs to brownfield activities;
- earmarking water, sewer, and waste water charges for brownfield cleanups;
- devoting monies raised from fines or fees to brownfield projects; or
- using small amounts of public funds to “seed” a private, shared-risk financing pool devoted to brownfield redevelopment.

In addition, cities can explore other low- or no-cost techniques to stimulate brownfield redevelopment undertakings. For example, some cities are considering ways to more easily convey tax-delinquent properties to new owners with viable reuse plans. Cities in Wisconsin can take advantage of a new state tax-forgiveness incentive pegged to brownfield sites. Other communities are contemplating modifications in their zoning requirements in specific brownfield cases (for example, reducing parking requirements on existing sites near public transportation) to provide developers with the opportunity to earn a greater return on their investment and offset more site preparation costs.

Brownfield reuse success stories: What’s worked?

- The city of Detroit has worked to increase the presence of **Acetex**, a key central city manufacturer that supplies uniforms for the Big Three automakers. Acetex sought to acquire an adjacent property for an expansion, but the owner, a largely defunct small auto parts manufacturer, had mothballed the site because of environmental concerns.

The city served a critical facilitating role to expedite transfer of the property, and after extensive negotiations, Acetex took title. The facility was located in Detroit’s Empowerment Zone, and received \$3 million of Detroit’s federal zone allocation. Comerica Bank provided the remaining financing by issuing \$2 million in special tax-exempt bonds for the project. Acetex currently employs over 450 people, and has annual revenues of \$52 million. When its new distribution facility opens on the remediated brownfield site, another 100 jobs will be created.

- **The Wilensky Salvage Yard** in Minneapolis had been used for auto parts salvage and disposal for 50 years. Although aware of significant contamination, the city included it in a larger tract being assembled for new light industry. Nearly \$900,000 for remediation was raised through Minnesota's hazardous waste subdistrict TIF mechanism, from property taxes collected from businesses in the eight-block area surrounding the salvage yard. Thus, the city's completed redevelopment projects, as well as other businesses, contributed to cleanup efforts within the district.

The cleaned-up Wilensky site has already attracted new users. Microtron, a minority-owned electronics company seeking to expand its operations, has gone into the site, constructing a 65,000-square-foot facility that will employ about 160 people. A key factor in Microtron's decision was the letter of "no association" that it received from the Minnesota VCP. This cleared the company of all liability for past contamination on the site.

- **The Circle F project** in Trenton, New Jersey, was developed on a manufacturing site that dated to 1886. The city subdivided the site and targeted the older front half of the parcel for senior citizen housing, while the back half remained industrial.

Trenton officials selected a long-time local nonprofit developer, Lutheran Social Ministries (LSM), to undertake the housing project. LSM fronted the \$500,000 for site cleanup and preparation, and applied for and received an allocation of \$8 million in federal low-income housing tax credits. These credits attracted a private lender, Nat West Bank, to the project. The bank helped finance the project, and assumed the role of a limited partner in the project in order to get the benefit of the tax credits. Nat West provided \$4 million in construction loans and an additional \$1 million for other costs. The tax credits will translate into a 12 percent return on investment for Nat West, and the Circle F project has brought 75 new units of housing to an old central city neighborhood.

- **The Uniroyal tire factory** in Commerce, California, was built in 1930 with a façade in the style of a grand Assyrian palace. This feature made it a natural for redevelopment as a distinctive commercial and retail center. But decades of tiremaking left serious contamination problems and significant cleanup costs. A key challenge was making the project economically viable. This was achieved by careful construction planning that allowed cleanup and reconstruction to go on simultaneously, to achieve some economies of scale.

The city assumed liability to allow the project to go forward. The Commerce Redevelopment Authority floated bonds and fronted \$3 million for site cleanup, which is being repaid from sales taxes generated from activities at the site. Commerce's initial risk in taking on liability and covering cleanup costs has started to pay handsome dividends. The retail center is proving to be a magnet to the area; annual receipts already top \$100



The architecturally significant, former Uniroyal tire factory in Commerce, California, was once seriously contaminated but now is a popular outlet mall. The city of Commerce assumed liability, issued \$3 million in bonds, and tackled cleanup and reconstruction simultaneously to make the project work.

million, generating significant property and sales tax revenues for the city. Hundreds of jobs have been created and office space is filling up, providing an important complement to the commercial activity and generating additional tax revenues.

The challenge to local governments: Confronting issues that affect site redevelopment

Brownfields are a national concern with local immediacy. The challenge that local governments face now is to provide the tools that make the economics of reuse work. At the same time, it is important to emphasize that incentives can make a site economically viable, but that the public sector alone cannot carry the brownfield reuse load.

Redevelopment on a wider scale can only be achieved if public policies and programs foster a climate that invites private investment in these projects. Confronting the environmental and economic issues affecting site reuse requires a deliberate, multi-dimensional approach that often does not neatly fit with the rules and procedures of either economic development or environmental programs.

In spite of the barriers, brownfield reuse opportunities are real. Nearly 50,000 projects have been completed and certified through state VCPs. These projects have been carried out in a way that makes economic sense, and that builds on the competitive advantage that specific sites boast. Such success stories suggest that liabilities can be worked out, that financing can be secured, and that brownfield redevelopment can be achieved. ★★ ★

The Northeast-Midwest Institute is a Washington-based, private, nonprofit, and non-partisan research organization dedicated to economic vitality, environmental quality, and regional equity for Northeast and Midwest states.

Kalamazoo's Economic Revitalization

Southwest
Michigan
First

By Gretchen Johnson In the late 1990s, Kalamazoo County's economic outlook was in dire straits. A series of industrial plant closings, corporate mergers, and the loss of thousands of high-paying jobs sent tremors through the foundation of the Kalamazoo economy. Inc. Magazine later reported that Kalamazoo led the nation in job loss for communities of its size during the 2001 recession. Today, however, Kalamazoo's economic development successes have made it a model for communities around the world.

Located midway between Detroit and Chicago on Interstate 94, Kalamazoo offers the amenities of and access to much larger metropolitan areas, without the congestion, crime and high cost of living. Just 45 minutes from the Lake Michigan shoreline, this community of 242,000 is known for its Midwestern work ethic and its entrepreneurial spirit. Kalamazoo is in many ways emblematic of America's story; its industrial and economic history mirrors that of thousands of mid-sized communities across the nation.

It was in Kalamazoo in the late 1880s that Dr. W.E. Upjohn invented the first friable pill, creating a new form of digestible medicine that redefined the pharmaceutical industry. By World War I, Kalamazoo was the world's center for paper production. In the early 1930s, Dr. Homer Stryker developed the wedge turning frame for patients with spinal injuries, and later the Stryker saw. This launched the Stryker Corporation, one of the world's leading medical device and orthopedic implant companies.

During the same period, Checker Motors was formed. For decades, the company designed and manufactured the famous Checker Cab at its headquarters on Kalamazoo's north side. In the 1940s, Gibson Guitar – made famous by the likes of Les Paul and B.B. King – was manufactured in Kalamazoo.

So in the 1950s, Kalamazoo's economy, like much of America, boomed. Prosperity continued into the 1960s, when General Motors located its Fisher Body stamping plant in

Comstock Township in east Kalamazoo County. At its peak, the two-million-square-foot facility employed nearly 4,000 skilled laborers.

From job loss to action plan

In the 1980s, Kalamazoo began to lose its economic foothold. In 1982, Checker Motors halted production of its famous taxi, opting to limit its operations to niche stamping and auto parts supply. Gibson Guitar moved its headquarters to Nashville in 1984.

In 1992, General Motors announced the closing of the Comstock stamping facility, which affected the entire region. In 1995, the Upjohn Company announced a merger with Pharmacia Corporation of Sweden, and the company's headquarters moved to New Jersey in 1999. In 1998, Kalamazoo's financial community suffered when First of America was acquired by National City and the headquarters – with hundreds of high-paying executive positions

– were eliminated or moved to Ohio.

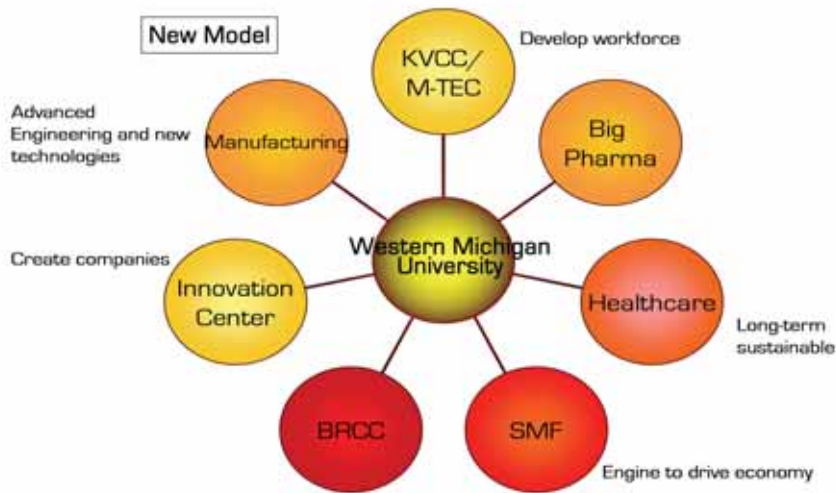
In a move that would become a hallmark of Kalamazoo's economic turnaround, public and private community leaders from an array of sectors – business, academia, government and the community – stepped forward to address the problem proactively. The southwest Michigan region convened a task force dubbed Regional EDGE. Using a comprehensive cluster-based profile, the initiative examined the region's economic challenges, assessed its strengths and developed a strategic plan to move the economy forward.

Kalamazoo's industrial and economic history mirrors that of thousands of mid-sized communities across the nation.

Old Model



New Model



Kalamazoo's new economic model was designed to move the community away from reliance on any one industry or company. By placing higher education at its center, the new model will shape a sustainable economy and help the region maintain a competitive edge.

The Regional EDGE initiative resulted in two significant findings that would change Kalamazoo's future. First, the Greater Kalamazoo community needed a proactive agency to aggressively pursue a strategic economic development effort. Second, the region's 125-year legacy of life sciences innovation was an asset that could provide long-term growth if it were leveraged appropriately.

The biggest challenge to the area was getting both public and private leadership to look beyond traditional borders and begin thinking and acting as a regional community competing in a global economy. Bridging these barriers proved essential to Kalamazoo's economic future.

The action plan

To begin, community leaders formed Southwest Michigan First (SMF) in 1998, a nonprofit organization that would serve as Kalamazoo County's lead economic development agency. SMF was commissioned to create a long-term economic strategy that would build on existing strengths and create a sustainable foundation for growth. That strategy initially included four key elements:

- Maintain a proactive economic development effort that thinks regionally and is not tied to traditional economic models.
- Establish a strategic economic model to move the community away from dependence upon industry and toward a community-wide collaborative relationship with higher education at the center.

- Build on the life-sciences strengths of the community.
- Establish a venture capital-friendly environment that seeds new companies for long-term sustainable business development.

In fulfilling its mission, William Johnston, chairman of the SMF board of directors, said the agency's first challenge was to change perceptions about how economic development should occur.

"The perspective of economic development in this region prior to Southwest Michigan First was that it was the responsibility of local government," Johnston says. "The natural result was that there wasn't much sharing of information beyond the microcosm of local government. Economic development doesn't happen that way. It happens when we cross political boundaries."

This challenge was evident for SMF almost immediately after the agency's formation, when private

developers in Kalamazoo County's Charleston Township sought to create a landfill along Interstate 94. Neighboring Eaton Corporation, whose Heavy Truck Component Research and Engineering Headquarters employed 600 highly skilled workers, threatened to relocate due to the landfill plan. To keep Eaton from leaving, SMF purchased the land and prevented the landfill plan from moving forward.

The agency then earmarked the property for a new commercial facility and entered into a contest with three other states for Target Corporation's proposed 1.35 million-square-foot regional distribution center. Collaborating with public and private entities in Kalamazoo County and the state of Michigan, SMF developed an incentive package and provided comprehensive development services for Charleston Township, including the remediation of 10 acres of wetlands. In the fall of 2000, Target awarded the \$100 million project to Charleston Township, and the facility's 650-person staff is projected to grow to more than 900 in the next few years.

With this early win, SMF achieved its initial goal of introducing innovative regional economic development to southwest Michigan. But as the young agency struggled to proactively direct the region's economy, it was also forced to respond to the ongoing challenges of economic change. The recession's impact was gathering momentum and joblessness continued to grow.



Redevelopment of the former General Motors stamping plant as Midlink Business Park brings the facility's story full circle. Closed in 1999, Hackman Capital Partners of California invested \$56 million in the purchase and redevelopment of the facility and its surrounding property. Over the next five years, Kalamazoo County's Comstock Township and Southwest Michigan First partnered on a \$3 million grant proposal to the Michigan Economic Development Corporation to provide new public roads, as well as sewer and water that would serve the remaining 200 acres of land surrounding the building. The result is a world-class business park that offers 1.6 million square feet of space within a virtually tax-free Renaissance Zone, and 240 acres available for commercial, retail, and build-to-suit opportunities within the campus community.

Within days of the Pfizer announcement to phase out most of the research and development operations in Kalamazoo, SMF launched a campaign to retain as much of the workforce as possible.

Greater challenges – and responses – still ahead

By the end of the recession, Michigan would lose more than 200,000 manufacturing jobs alone, and as a state it has yet to emerge from recession. In southwest Michigan, consolidation in the paper and pharmaceutical industries dealt lasting blows. In 2000, a series of closings rocked the community – five paper facilities in a few months. New owners couldn't be convinced to invest in old plants when more modern and less costly facilities could be renovated or constructed elsewhere. Though SMF was successful in keeping a division of American Greetings in the community, and even managed to persuade the company to expand its local operations, the other plants could not be saved.

As the community braced for looming changes in the pharmaceutical industry, SMF developed a strategy to move toward a collaborative relationship with higher education. The strategy meant positioning the community's colleges and universities to step into the vacuum that would occur if Pharmacia Corporation – Kalamazoo's largest employer – were to leave the community or reduce its local workforce.

To encourage new business creation in and around the biopharmaceutical industry, SMF began construction of a 58,000-square-foot wet lab facility, the Southwest Michigan Innovation Center, and started hosting regular investment forums with the hope of bringing venture capitalists and entrepreneurs into the community.

When the Michigan Economic Development Corporation (MEDC) made state monies available for the creation of SmartZones – areas dedicated to accelerating industry/educational networks where communities can use tax revenues for building improvements and operations – SMF, the City of Kalamazoo and Western Michigan University successfully petitioned for a SmartZone designation in the university's new Business Technology and Research Park.

In November of 2002, Pfizer Inc., the world's largest pharmaceutical firm, completed a \$60 billion buyout of Pharmacia Corporation. Within six months, Pfizer announced that it would phase out most of the research and development operations in Kalamazoo as part of its corporate restructuring. The community wasn't ready, but SMF at least was prepared.

SMF previously had begun working with community leaders, the Kalamazoo Regional Chamber of Commerce, state legislators, MEDC and the governor's office. Within days of the Pfizer announcement, SMF launched a campaign to retain as much of the workforce as possible, provide resources for new business startups, and create opportunities for local investment.

SMF developed aggressive tactics to support those who were losing their jobs at Pfizer. One of these, the award-winning "Stick Around" campaign, was launched in spring 2003. It was designed to assist ex-Pharmacia workers who wanted to remain in the community. "Stick Around" included a regional advertising campaign, as well as:

- a \$10 million state pharmaceutical R&D tax credit;
- a special Web site listing regional life science jobs;
- a series of career forums and entrepreneurial training workshops;

At least partly as a result of the campaign, SMF estimates that more than 200 scientists stayed in Kalamazoo, despite job offers elsewhere.

- monthly forums that connected entrepreneurs with potential investors;
- personalized business coaching and planning services;
- help with financing and marketing strategies; and
- temporary pro bono services by local attorneys.

At least partly as a result of the campaign, SMF estimates that more than 200 scientists stayed in Kalamazoo, despite job offers elsewhere. Of these, most took positions at established companies, as consultants, or within the university. Nearly 75, however, are running their own companies or working for startup companies in Kalamazoo. More than two dozen new businesses were launched as a part of the program.

Of Kalamazoo's new biopharmaceutical companies, 14 are housed in the Southwest Michigan Innovation Center, which today is more than 90 percent full and four years ahead of its initial tenant predictions. To support these companies and others, Kalamazoo has a number of angel investors and three venture funds. A fourth fund remains in development and will be completed in mid-2005. Availability of capital will be a crucial factor in the long-term prospects for the success of Kalamazoo's new business creation strategy.

In 2004, SMF extended its collaborative model further by engaging executives from 11 area banks with the formation of the Kalamazoo Bank Consortium for Innovation. The consortium serves as an information resource and provides financial coaching to entrepreneurs. It also provides an important link between traditional lending institutions and Kalamazoo's growing venture capital activity. Originally charged with providing support to SMF's new business creation efforts, the group also provides an important conduit for the retention of existing businesses.

In March of this year, SMF introduced the first start-up company – International Component Strategies (ICS), an automotive asset recovery company – to the bank consortium for help with financial plan development and deal

structuring. SMF also introduced the ICS management team to executives at Midlink Business Park, the newly renovated former GM stamping facility. ICS now occupies 160,000 square feet and has plans for significant expansion in the next 12 to 18 months, while hiring as many as 300 employees.



The Southwest Michigan Innovation Center is a 58,000-square-foot incubator/accelerator designed to provide wet-lab space, access to venture funding and business services to emerging companies in biosciences and high technology. Construction for the new facility, located at the Western Michigan University Business Technology Research Park in Kalamazoo, a state-designated SmartZone, was completed in spring 2003. Today, the Center is home to 14 local start-up companies, many of which are using local scientific talent displaced during the Pfizer acquisition of Pharmacia Corporation.

Moving stronger into the future

Today, while its challenges are far from over, the Kalamazoo region has demonstrated a capacity for adaptation and reinvention. As a result, its future looks brighter than ever.

★★★

Broadband Access in Rural Areas

Senior
Analyst,
The
Yankee
Group

By **Lindsay Schroth**

Broadband service availability is growing. However, private sector broadband buildout has focused on major metro areas and wealthier suburbs, leading to geographic disparity in network quality, service availability and pricing. With broadband becoming increasingly critical for economic growth and information access, rural counties and cities are taking the initiative to develop local and regional broadband networks.

A number of county- and city-driven broadband network buildouts and business models have emerged in the past few years. Most initiatives launch to connect local government buildings, educational institutions and hospitals that either lack broadband options or pay exorbitant fees to incumbent phone companies. Despite opposition from the private sector, local governments continue to look for means to bring broadband to all businesses, homes, and government-owned facilities. This article presents decision-making criteria for various broadband deployment approaches.

Technology selection

Municipal entities must consider various factors when selecting broadband technology. The following elements significantly affect a municipality's technology selection process:

- State, regional, and local laws
- Existing infrastructure such as dark fiber or backup power systems
- Geography and topology
- Competitive service availability
- Targeted end-users
- Services and application selections

Municipal broadband projects differ from other projects because of these factors. However, fiber and wireless are the most widely deployed technologies.

Fiber to the home, business, or public service entity

Fiber networks appeal to municipalities for a variety of reasons. From a service delivery perspective, municipalities need scalability to deliver high bandwidth voice, video, and data services to a multitude of users. Fiber networks provide the bandwidth to deliver these services, and the ability to support current and future capacity demands.

Municipal projects also have revolved around FTTX buildouts (fiber to the node or end user) because of the prevalence of existing fiber infrastructure. If a municipality can rely on existing infrastructure, it can significantly reduce network costs. Many municipalities or municipal utilities already own pieces of fiber infrastructure for applications such as monitoring electrical stations.

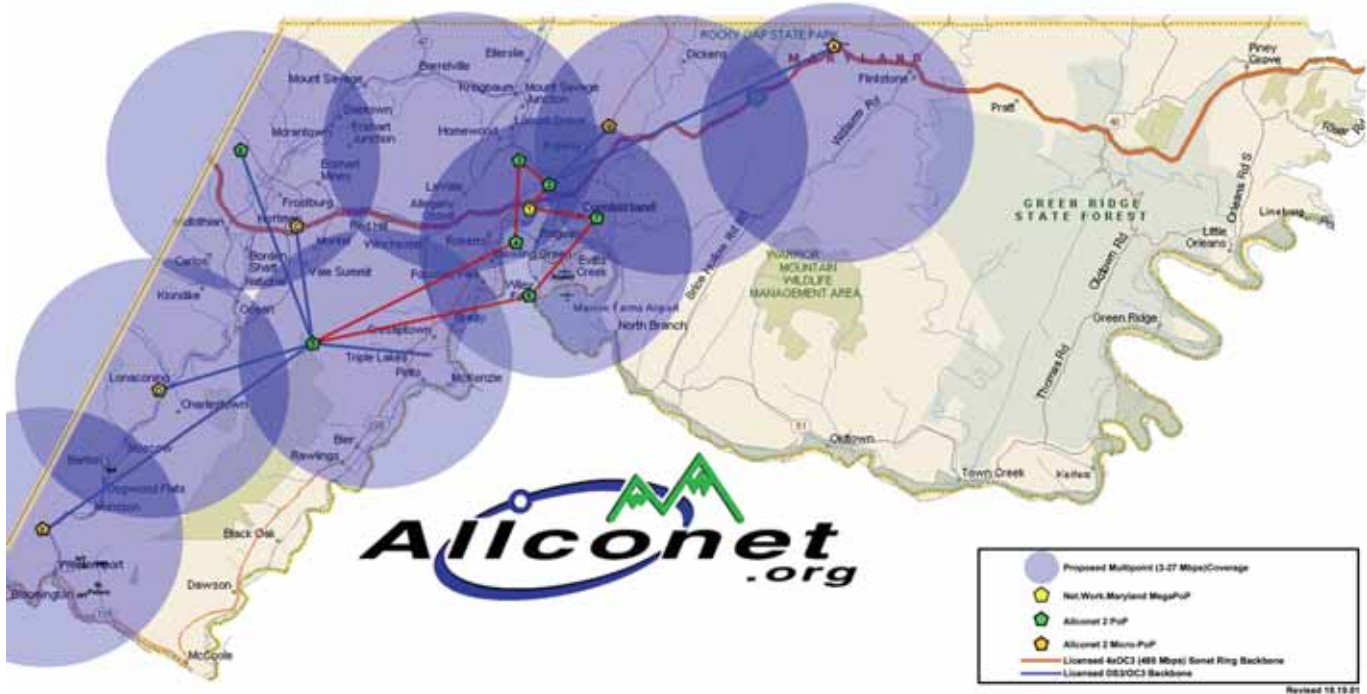
The Tri-City Broadband project in Batavia, St. Charles, and Geneva, Illinois, is a good example of how municipalities can leverage current infrastructure. The three towns maintain fiber backbones to connect schools and city buildings to the Internet. They have also used fiber to remotely manage electrical stations for the municipal electric utility. This provides a backbone to provide broadband services to local businesses. Since the fiber backbone covers major business areas, this avoids significant network build-out costs.

Wireless

Municipal entities predominantly use two forms of wireless technology:

- **Fixed broadband wireless/WiMAX:** Point-to-point (PTP) and point-to-multipoint (PMP) fixed broadband wireless technology can be used to create metro and access networks in place of fiber. Although capacity is more limited with fixed wireless than with fiber, cost savings can range from 20 to 50 percent. Fixed wireless equipment is typically used to serve areas where fiber costs cannot be justified. Since municipalities make a one-time investment in wireless links, equipment can be transferred to other locations for applications such as network redundancy.
- **Wi-Fi:** City governments have also begun to set up free and fee-based wireless hot spots to drive economic growth. Due to technical limitations such as interference, cities more often use Wi-Fi to make local areas more

Coverage Area: Backbone and Residential Class Service



attractive to businesses and telecommuters, not necessarily as a competitive access technology. Moreover, most city governments have yet to develop a means to generate revenue from Wi-Fi networks. As WiMAX moves from being a fixed technology to being portable and mobile, and can compliment Wi-Fi, municipalities will likely look to provide competitive access services.

Business models and deployment strategies

Municipalities must also determine a business model and a deployment strategy based on local dynamics. Three main business model criteria should be considered:

Sales strategy: Municipal entities must decide whether they intend to act as a retail service provider or a wholesale network provider. Both models, and combinations of the two models, have been implemented. Municipalities will find it easier to generate return on investment if networks are open to ISPs, cable companies and others interested in providing broadband. This model promotes competitive services and prices, and makes it more difficult for the private sector to debate the public involvement in telecommunications network buildouts.

Target end users: Prior to network buildout, municipal entities must determine which users they will serve. This is crucial for technology selection, and heavily influences the potential payback period. Municipalities often use a phased approach to service provision, bringing services first to public entities such as schools, hospitals, and public safety organizations, and then to homes and businesses.

Service selection: Once a municipality establishes which users it will serve for the initial rollout and for the long-term, it must select which services to provide. Although data services are often core to an offering, certain areas also need alternative voice and video services. Municipalities must also decide how many levels of bandwidth tiers to offer.

Case study: Allegany County, Maryland

Although most municipal-driven networks remain small, a project such as the Allegany County ALLCONET initiative in western Maryland presents certain lessons about public-driven broadband network buildouts.

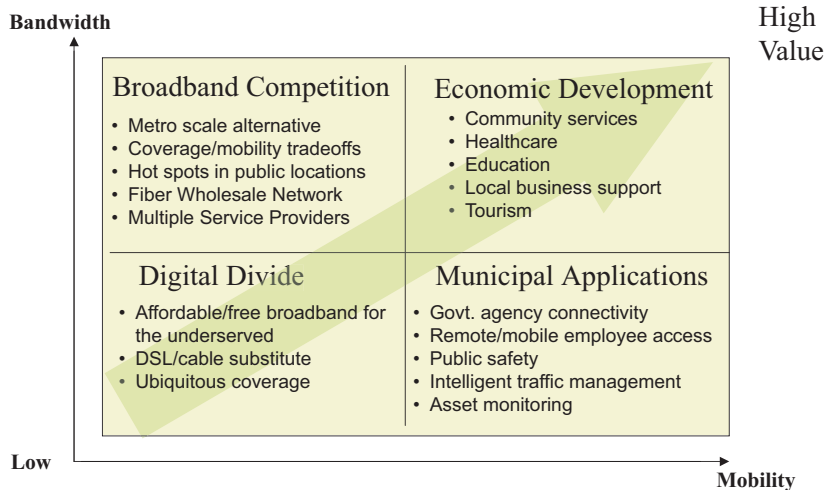
In 1994, the Allegany County Government, Board of Education, Public Library System and City of Cumberland searched for funding to build a broadband network because of a lack of other options. With its proximity to Washington, D.C., the county thought that a high-speed infrastructure could help spur back-office federal government operations to build facilities in the area.

ALLCONET 1, the first phase of the project, created a high-capacity wireless ring using microwave technology to connect large public facilities. The network used unlicensed multipoint technology for last-mile connectivity, eventually connecting 85 buildings, 4,000 workstations and 10,000 users (government, law enforcement, education and nonprofits). To avoid great capital investment, the network also leveraged two water towers, the roof of a high school, a local bell tower and three freestanding airport towers for transmitters.

Recognizing that the high-capacity backbone could be enhanced for higher bandwidth applications – while also expanding it to reach the private sector or underserved businesses and consumers – the entity launched ALLCONET 2. The ring now supports over 400 T1 lines and more unlicensed multipoint networks. To minimize regulatory battles with the incumbents, the municipal network is run by the government but is open to ISPs at a low fee to facilitate affordable commercial and residential broadband services.

The ALLCONET project, as well as other recent municipal-driven initiatives, presents a broad set of crucial lessons for future services:

Community Broadband Network Objectives



- Wireless is one of the best technologies of choice because it reduces cost and time to deployment. Use of multiple types of both licensed and unlicensed spectrum helps target different types of end users.
- If municipalities use fiber, they leverage existing assets such as fiber run by the electric utility.
- Municipalities have the advantage of cheap access to government-owned buildings and sites for transceivers, such as water towers and other towers.

Market Impact

We expect to see significant growth in the number of municipalities and cities using various access technologies to reach public entities, businesses and consumers. Most current deployments use fixed access technologies to provide basic broadband services. The predominant means of delivering services are fiber and broadband wireless. Although this model will remain, new applications will continue to emerge using portable wireless technology.

Pressure will also mount from the private sector. There is an ongoing debate regarding whether the public sector should be allowed to play a role in broadband service delivery. As municipalities target services at the private sector, incumbent telcos and cable companies will expand service availability and likely create regulatory debates on this subject. Most municipal deployments already demonstrate this as a fact.

Community Broadband Network Examples

	Digital Divide	Ubiquitous Coverage	Broadband Mobility
Business	Allconet 2	Eastern Maryland	
	Utopia, UT	Fontana, CA	Philadelphia, PA Boston, MA Hartford, CT
Residential		Houston County, GA Chaska, MN Rio Rancho, NM Grand Haven, MI	Chicago, IL San Francisco, CA Portland, OR
Government/ Institutional	Allconet 1	Oklahoma City, OK Corpus Christi, TX	New York City, NY
	Rural Area	Small/Mid-Size Town	Urban Area

Promote Regional Economic Development

- The easiest initial business case for municipal broadband network development is to fulfill the need for connectivity between government institutions, educational facilities, libraries and other public sector organizations.
- If attempting to target the consumer and business market, it makes sense to open the network to multiple ISPs, both from a legal (non-competitive) perspective and to provide local residents and businesses with the most options.
- Creating coalitions – whether for spectrum usage coordination or to bind together interested businesses or ISPs – will help shape the business model and get funding for the network.

Municipality Recommendations

- **Develop a carrier-class network.** If a municipality develops a network for wholesale use, but decides to manage and maintain the infrastructure, high quality and reliability are crucial in determining the success of the ISPs. Increased service calls could easily drain ISP resources and prohibit their future investment in the network.
- **Enable coalitions before launching service.** Governments can often fund the development of surveys that aggregate demand for services in their area. This type of initiative – as well as cooperative development of service providers that want to partake – can help lead to early successful business models. These coalitions can also work to develop relevant local content that drives community members to use the broadband network.
- **Leverage existing assets where possible.** Government entities often maintain access to either fiber capacity or buildings that can serve as the foundation for a wireless network. This can play a crucial role in diffusing network costs. ★★ ★

The Yankee Group is a Boston-based consulting firm that helps clients plan for, execute or optimize the use of technology.

Georgia Communities Bounce Back

By Craig Lesser

Commissioner, Georgia
Department of Economic
Development

Georgia has a lot going for it: a strong market location, quality workforce, world-class transportation network and an exceptional quality of life. Despite this, many Georgia communities have at some time experienced definitive transitions in their economic development strategies, and usually not by choice. But the communities of Albany, Rome and Savannah – compelled by water, outsourcing and even English royalty – each have turned their economic difficulties into opportunities.

Albany, devastated by flooding twice in five years, has harnessed its river and other natural resources for economic growth. Rome, like many other southern communities, suffered from the closing of textile mills, but leveraged its strong educational institutions to attract high-tech manufacturing. And Savannah has energetically revived and protected its historic assets and promoted its port to open itself as a premier business location in the southeastern United States.

Albany rebuilds after natural disaster

“Do what you can, with what you have, where you are.” This credo of President Theodore Roosevelt has, for many years, been the economic development philosophy of Albany. Indeed, this southwest Georgia town was founded on its proximity to the Flint River, and today is once again growing its economy around its rich, river-based heritage.

In the early 19th century, cotton growth in the state spurred the development of several townships along rivers, which provided an easy means of transporting product to market. Macon and Columbus had been established along the Ocmulgee and Chattahoochee rivers when Nelson Tift embarked on a quest to identify the head of the Flint River and settle a new town on its west bank. In 1836, Tift named this new town Albany because of its similarity to Albany, N.Y., another well-known city located at the head of a navigable river.

Since its settlement, Albany has become the primary trade center for southwest Georgia. Its rich soil continues to produce cotton as well as peanuts, corn, tobacco and more. Major employers include such globally recognized companies as Procter & Gamble, Merck & Co., Miller Brewing Co. and M & M Mars.

The city's growth has not gone unchecked, though. In 1994, Tropical Storm Alberto ravaged Albany with a 44-foot flood, which displaced more than 22,000 residents, damaged



After the city of Albany was ravaged twice by floods in the 1990s, it developed a master plan to embrace its premier natural resource, the Flint River. The plan included the Flint RiverQuarium, shown above, plus a natural resource center, hotel, conference center, and retail and entertainment districts on either side of the river.

more than 6,500 buildings and cost a staggering \$500 million in recovery costs. Even worse, many rebuilding projects had just been completed when a second devastating flood of 37 feet hit in 1998.

Together, these natural disasters served as harsh reminders of not only the river's power, but also its potential. Despite the great devastation wrought by the floods, Albany suddenly seemed on the verge of positive change as commu-



Rome's Berry College, founded in 1902 in a one-room log cabin, is a 28,000-acre liberal arts college recognized as one of the country's best by Peterson's Guide to Competitive Colleges, U.S. News & World Report, Money magazine and The New York Times. Berry College is one of a number of educational institutions that the city of Rome has leveraged to its economic advantage.

nity leaders began to, in the words of Albany-Dougherty Economic Development Commission President Timothy Martin, "revisit the river."

To augment post-flood federal disaster relief funds, a county sales tax referendum and various city grants, local leaders organized a group called Albany Tomorrow, Inc. (ATI) to recruit private sector participation in the revitalization of the city. Specifically, ATI is dedicated to redeveloping downtown Albany by promoting the area's premier natural resource, the Flint River.

ATI began by conducting extensive research on downtown redevelopment programs across the country. Representatives visited Augusta, Charleston, Chattanooga, Columbus, Tallahassee and other model communities to see their revitalization efforts first-hand and meet with their experts. ATI's organized, business-like approach enabled it to make financially sound decisions, develop realistic schedules and maintain credibility with elected officials, financial insti-

tutions, developers and the public. Ultimately, the best practices of these cities' efforts came together in the \$210 million Albany Downtown Riverfront Master Plan, which called for the development of a cluster of diverse activities and destinations around the river.

The centerpiece of the plan is the Flint RiverQuarium. Opened in September 2004, the RiverQuarium tells the story of the Flint River and the mysterious blue-hole springs that helped create it. The 175,000-gallon, 22-foot, open-air blue hole is filled with the fish, reptiles and plants indigenous to the river's ecosystem. Since its opening, the RiverQuarium has told the story of the Flint River basin – and largely the story of Albany – to thousands of visitors.

Other projects include an agricultural and natural resource center to make the area's outdoor world more accessible through local guides and outfitters; a 150-room hotel and 18,000-square-foot conference center; retail and entertainment districts on both sides of the river; restored

historic business districts; a nature trail system connecting existing landmarks; a new Georgia Department of Human Resources facility; a 78,000-square-foot, state-of-the-art police facility and more.

Collectively, these projects represent a concerted effort to bring Albany residents and visitors alike back to the river, the basis of the city's founding nearly 170 years ago and the focal point of an unprecedented redevelopment effort. Sometimes an area's natural resources are its best resources.

Capitalizing on education in Rome

Like natural disasters, the tides of industry can also effect great change in a community's economy. In the late 1990s, Georgia was plagued with plant closings. From automobiles to furniture, candies to carpets, these plants had been the lifeblood of many mid-sized Georgia cities for decades. In Rome in 1997, the threat of losing a textile plant prompted community leaders to take action. They began by commissioning a study on the city's economic and demographic conditions. Not surprisingly, the study's findings were alarming, revealing stagnant population and job growth and many neutrally or negatively ranked economic indicators.

Given this, the Greater Rome Chamber of Commerce took the lead in a consortium of city and county leadership, local and regional economic development authorities and an independent consulting firm to form Rome-Floyd County 20/20, a plan to guide Rome's growth over the course of 20 years.

The five major objectives include building a stronger economy, a more skilled workforce and a quality physical infrastructure for growth; protecting and improving quality of life assets; and making more efficient use of government resources. Clearly, these objectives are connected in a multitude of ways, but one of Rome's strongest assets is education. The Rome-Floyd County 20/20 capitalized on Rome's unique advantage – four colleges, a prestigious boarding school, technical schools, plus a nationally recognized K-12 public education system:

- Berry College, a 28,000-acre liberal arts college, is recognized as one of the country's best by numerous college ranking publications.
- Floyd College, a two-year college of the University System of Georgia, was one of the first colleges in the nation to provide each student a laptop and has been recognized by Bill Gates for its innovative incorporation of technology in the classroom.
- Shorter College, another four-year, liberal arts college, offers eight bachelor degree programs and 10 pre-professional programs.
- Coosa Valley Technical College (CVTC) provides quality technical and related academic education, customized business and industry training, continuing education, and adult education services to meet the workforce needs of companies.
- Darlington School is a 430-acre, internationally renowned, pre-kindergarten through 12th grade boarding school that attracts students from across the country and



around the world.

Additionally, the Floyd County School System offers comprehensive technical training through Floyd County Technical High School.

Today, by leveraging and continuing to grow its educated workforce, Rome is outsmarting the outsourcing that did indeed lead to the closing of its textile plant. Among various initiatives, the city schools added international language courses, and advanced placement courses to enhance math and science. Rome residents also passed a significant sales tax increase to improve the physical facilities at public schools, and the county started a high school industry academy.

The city helped several existing employers expand and has attracted some new ones. Rome is now home to foreign-owned companies from Austria, Italy, Japan, South Korea and Switzerland. The companies have produced more than 1,000 jobs in just a few years. Rome officials believe that the city's educational assets have been key in attracting high-tech manufacturing (including state-of-the-art automotive parts and supplies) and corporate headquarters.

Savannah, the "beautiful lady"

When General Sherman concluded his legendary march to the sea in 1864, he was so enamored with the beautiful city at the end of it – Savannah – that he left it unharmed and presented it to President Lincoln as a Christmas present. Despite Sherman's reprieve, the city eventually found itself in a state of disrepair. Its condition was perhaps best captured by Lady Astor of England when, in 1946, she compared it to "a beautiful lady with a dirty face." Many credit her now-famous estimation of Georgia's "first city" for sparking its transition back to economic vitality.

The first step in this transition focused on the city's most distinctive asset, its history. The Historic Savannah Foundation was chartered in 1955 to protect the city's countless historic homes, churches and other structures. Throughout the 1970s and '80s, unprecedented restoration took place; the Savannah College of Art and Design alone restored more than 70 buildings to their original grandeur. Subsequently, the tourism industry in Savannah boomed and today draws more than six million visitors each year.

The second step focused on the city's industrial recruitment efforts. Savannah, though a popular tourist destination, was still viewed as a closed business community that did not welcome growth. Propagating this image was its shortage of



One of the city's many assets is the Port of Savannah. Its economic impact is estimated to include \$35.4 billion in sales, \$17.1 billion in gross state product, \$10.8 billion in income and more than 275,000 full and part-time jobs.

industrial buildings and pre-developed sites. With these problems in mind, the Savannah Economic Development Authority (SEDA) went to work.

SEDA undertook a mass marketing campaign to position Savannah as open for business. By 1990, SEDA was recognized as one of the top 10 economic development organizations in the nation, and Savannah was poised for growth.

Next, SEDA turned to attracting larger investment. In 1994, ground was broken on Crossroads Business Center, an award-winning business park with first-of-its-kind environmental permitting. Crossroads made large sites available near the Port of Savannah and ultimately shifted the way the Georgia Ports Authority recruits business to the port. A strategy once driven by marketing to shippers shifted to target the major retail distribution facilities themselves. Today, Crossroads is home to more than a dozen companies employing approximately 2,300 people.

Community leaders and economic development professionals long desired an engineering program in the region, and Georgia Tech-Savannah was a critical part of the project. SEDA proposed a site at Crossroads to Georgia Tech's president, and later gave the land to the Board of Regents that is now home to the Georgia Tech Regional Engineering Program.

The Port of Savannah is perhaps Savannah's greatest competitive advantage. It is one of the five largest container

ports (in volume) in the nation, which the Georgia Ports Authority has been aggressive in marketing. The port's total tonnage and containers increased more than 120 and 280 percent, respectively, between 1990 and 2004, and is expected to experience another 150 percent growth in less than 15 years. Recognizing the significance of the port to the area's economic development, the State of Georgia has invested \$60 million in a nearby 1,500-acre megasite to attract a single large manufacturing facility that will contribute even more to the region's and state's economic growth.

Finally, as home to more than 44,000 college students and more than 300 creative and technical firms, Savannah boasts a unique creative energy and is experiencing tremendous growth in its technology sector. Backed by SEDA and the city, an initiative dubbed The Creative Coast was recently formed to capitalize on this rare blend of talent and technical resources and pursue the expansion and attraction of knowledge-based businesses.

The collective efforts of SEDA and its partners have, since 1995, attracted or expanded 168 companies, garnered more than \$1.3 billion in investment and created nearly 8,000 jobs. By identifying and advancing the area's strongest assets, from its rich history to its creative spirit, the organization has effectively worked to remove the dirt from the beautiful lady's face. ★★

National Leadership Through Regional Cooperation

How the Tennessee Valley is Coming Together to Create the Jobs of the Future

By Zach Wamp

US Representative, Third
Congressional District of
Tennessee

Just as America's predominantly agrarian economy once gave way to the new industrial age, our industrial and manufacturing base has been feeling increased pressures in recent years. These pressures are not only from foreign competition, but also from the emergence of entirely new industries driven by new discoveries in science and technology that few of us could have predicted even a few decades ago.

Even as business start-ups, business expansions, new jobs, salaries and wages are all on the rise, many of our communities are still feeling the pinch as they struggle to transform themselves for the economy of tomorrow. We in the Southeastern U.S., for instance, have painfully witnessed over the last few decades major industries such as textiles, apparel, shoes, furniture and other traditionally lower-skill, lower-wage manufacturing jobs slowly decline, with many moving permanently offshore.

At the same time, our communities and our citizens have worked hard to replace these departing industries with new and higher-paying careers in automotive assembly and supply operations, transportation and logistics, wireless communications and consumer entertainment, and of course, an explosion of new service industry jobs.

But as we know, the increasingly competitive global marketplace is never stagnant. If we are not careful, even some of our new industries could one day move overseas to more economically competitive regions. That is why we must constantly and aggressively put America's superior technological talent and resources to work – to continuously innovate, invent and create the new industries and the new jobs of the future.

Linking regional assets

For the past 10 years, the Tennessee Valley Corridor, a multi-state regional economic development effort that links North Alabama, East Tennessee, Southeast Kentucky and Southwest Virginia, has been working to do just that. The Corridor initiative regularly brings together our region's top technology,



U.S. Senate Majority Leader Bill Frist (R-Tenn.) confers with Congressmen Zach Wamp (R-Tenn.) and Bud Cramer (D-Ala.) during one of the Tennessee Valley Corridor's regional economic summits in Chattanooga.



business, government, education and economic development leaders to exchange ideas and formulate plans for technological advancement and economic growth in our region.

Thanks to the work of these hundreds of leaders and volunteers, we believe the Tennessee Valley Corridor is rapidly becoming what the late Dr. George Kozmetsky, founder of the prestigious IC2 Institute at the University of Texas at Austin, once termed a “technopolis” – a region where high-tech investment drives new business creation and fuels economic growth.

When we first began our effort, the concept of connecting the science and technology assets of different communities and institutions within the Tennessee Valley – without regard to city, county or even state boundaries – was foreign to some. But we believe our focus on regionalism, collaboration and innovation has placed us on the leading edge of the same trend playing out from Silicon Valley in the west to the Research Triangle in the east.

Some in the nation may not at first link the Tennessee Valley with leading-edge technologies. After all, early in the last century, our area of southern Appalachia had a reputation as being barefoot and illiterate – and to many we were the poster child for Roosevelt’s New Deal and Johnson’s Great Society.

Yet what we now call the Tennessee Valley Corridor is also the home of two communities – Oak Ridge, Tenn., and Huntsville, Ala. – that were real leaders in the famed Manhattan and Apollo projects and have since grown into two of the nation’s most important centers for science, aerospace and national security. In fact, over the years, billions and billions of federal dollars have been invested in our region to help the nation meet these and many other important national objectives and federal missions.

That is why we decided to link together the multitude of valuable federal assets and research institutions in our region, as well as our top state research universities. We recognize their importance not only to new developments in science and technology and in fulfilling important federal missions, but also in creating higher-paying jobs for our communities.

Our goal was to build upon on such important Corridor assets as the:

- U.S. Army’s Redstone Arsenal, NASA’s Marshall Space Flight Center, the University of Alabama in Huntsville and Alabama A&M University in North Alabama;
- U.S. Air Force’s Arnold Engineering Development Center and the University of Tennessee’s Space Institute near Tullahoma, Tenn.;
- University of Tennessee in Chattanooga and its new world-class computing SimCenter;
- Oak Ridge National Laboratory, the Y-12 National Security Complex and the Oak Ridge Institute for Science and Education in Oak Ridge, Tenn.;

- University of Tennessee, the National Transportation Research Center, the Great Smoky Mountains National Park, and the headquarters of the Tennessee Valley Authority, all in and around Knoxville, Tenn.;
- Center for Rural Development and the National Institute for Hometown Security in southern and eastern Kentucky;
- East Tennessee State University, the Quillen College of Medicine, and the Veterans Administration Regional Health Center in Northeast Tennessee; and
- Virginia Tech University in Southwest Virginia.

Under the leadership of the Corridor’s bipartisan delegation of eight congressmen and a number of the U.S. senators and governors representing our region, as well as the TVC’s board of public and private sector leaders, these organizations now join with hundreds of other key business, education, government and economic development leaders in our region at major regional economic summits. The summits concentrate on the importance of maximizing regional collaboration, advancing our federal missions and leveraging our assets for new job creation. Thanks to the linkages created at these summits and through several year-round initiatives, dozens of new collaborations are playing out up and down the corridor.

For instance, with the help and support of U.S. Senators Bill Frist (R-Tenn.) and Lamar Alexander (R-Tenn.), Governor Phil Bredesen (D-Tenn.), the Tennessee legislature, and many others, we are leveraging several new world-class science and technology assets in the heart of the TVC to launch a new regional nanotechnology business initiative. The U.S. Department of Energy’s new \$1.4 billion Spallation Neutron Source (SNS) and a new \$65 million Center for Nanophase Materials Sciences, carved from 80 acres of woods adjacent to the Oak Ridge National Laboratory, represents one of the largest new science projects in the world.

After its completion, the SNS will annually host more than 2,000 top scientists in the world who will come to Oak Ridge to examine pulsed neutron beams more powerful than any of those available at major laboratories in Europe or Asia. Such research is vitally important to the development of all kinds of new materials that we use outside the laboratory, from the engines that run our cars to the medicines that heal our bodies.

Just as importantly, this new revolution in materials science, transformed atom by atom at the nanoparticle level, also represents a tremendous opportunity to create entirely new industries, new nanotech companies and manufacturers, and of course, new career opportunities. Leaders in the Knoxville/Oak Ridge area are now at work figuring out the best way to help grow private sector business in and around the SNS for this emerging nanotech industry.

Other regional technology initiatives

This focus on regional collaboration and innovation is being used throughout the TVC to leverage resources and brainpower in aerospace, aviation, electronics and national defense to attract new business investment.



The U.S. Department of Energy's Spallation Neutron Source is located adjacent to the Oak Ridge National Lab in eastern Tennessee.

- In Chattanooga, numerous partners have assembled to identify business opportunities related to advanced transportation systems that can help clean our air while reducing our dependence on foreign oil. Such opportunities include new hybrid and hydrogen fuel cell demonstrations, the development of a testing facility for alternative energy systems and a high-speed rail connection from Atlanta north through the corridor.
- In the northern end of the corridor, under the leadership of Congressmen Bill Jenkins (R-Tenn.) and Rick Boucher (D-Va.), a new MedTech Corridor has been created to better leverage that region's abundant healthcare, chemical and pharmaceutical assets for new job creation within these specific industry clusters.
- Congressmen Hal Rogers (R-Ky.), Jimmy Duncan (R-Tenn.) and others have also been working throughout the Corridor on aggressive new plans to help the nation meet the significant challenge of developing and deploying new technologies, products and systems to protect our homeland from the threat of terrorism.
- Through the leadership of the University of Tennessee/Oak Ridge National Laboratory's Center for Homeland Security, as well as the Y-12 National Security Complex, monthly meetings are held among the corridor leaders interested in homeland security to identify new collaborations. Furthermore, since 9/11, the National Safe Skies Alliance in Alcoa, Tennessee has quickly grown into a major force in the security of our airports and transportation systems, contracting with many government agencies to solve problems and deploy the latest technologies in aviation.

Meanwhile, local chambers of commerce and industrial development boards in the corridor are working on each of these initiatives, so they can leverage these activities to grow more private sector businesses for the Corridor's regional

economy. Our educational institutions are active partners, as well, to make sure we develop the workforce we need to advance and sustain these new opportunities.

Bringing technology resources together

These are just a few of the examples of how our region – and indeed any region – can inventory and align its top science, technology and education assets with its business and economic development leadership to pursue innovative breakthroughs and spur new industry. Top stakeholders continue to identify their shared interests and opportunities, recognizing that communities can no longer afford for artificial political boundaries and geographic rivalries to impede our economic growth.

In the increasingly challenging and competitive global economy, it is clear that sustaining America's technological superiority and our ability to continuously create new industries and new products will be key to our long-term success. In the Tennessee Valley Corridor, we are convinced that our leadership in innovation not only serves the nation, but the future of our communities as well. ★★

U.S. Rep. Zach Wamp (R-Tenn.), a six-term member of Congress, was a founder of the Tennessee Valley Corridor, a regional not-for-profit economic and technology development organization. In 2004, the Tennessee Valley Corridor received the U.S. Department of Commerce Economic Development Administration's national Excellence in Economic Development Award for Enhancing Regional Competitiveness. For more information on the Tennessee Valley Corridor, visit www.tennvalleycorridor.org.

Using Department of Energy Assets for Community Benefit

Director of
Economic
Transition,
Tri-City
Industrial
Development
Council

By Sean Stockard

In southeastern Washington state, The Tri-City Industrial Development Council (TRIDEC) is helping the region transition from economic dependence on the U.S.

Department of Energy's (DOE) Hanford site. One project in particular is benefiting the region, the DOE and American taxpayers – a company formed to disburse the excess assets that remain at the Hanford site.

Hanford is 560 square miles of shrub steppe, sand and sagebrush located on the Columbia River. As a plutonium production complex, Hanford played a pivotal role in the nation's defense for more than 50 years, beginning in the 1940s with the creation of the site as part of the Manhattan Project.

TRIDEC's predecessor, the Tri-City Nuclear Industry Council, was formed by community leaders in 1963 to lobby for ongoing federal funding for Hanford. In 1984, realizing a broader scope was needed to ensure an economically sound future for the region, the Council merged with the Tri-Cities Chamber of Commerce to become TRIDEC, the lead industrial recruitment organization for the community. TRIDEC serves two counties, the cities of Richland, Pasco and Kennewick, and several smaller outlying communities for a total population of approximately 210,000.

In 1995, the DOE designated TRIDEC as the local Community Reuse Organization (CRO), responsible for taking the lead to mitigate the economic impact of Hanford's downsizing. TRIDEC's main role as the CRO has been to administer a \$23 million federal grant for spurring economic growth and offsetting the impact of massive layoffs.

Maximizing the benefits from asset distribution

One of the many tools that CROs have is the excess assets that become available when local DOE sites no longer have a use for them – provided that the equipment transfer is used for economic development in the wake of a DOE facility's closure or downsizing. In 1999, TRIDEC formed a subsidiary called the Tri-Cities Asset Reinvestment Company, LLC (TARC) to distribute these surplus assets into the local economy with the goal of creating jobs.

When first created, TARC fulfilled its mission by concentrating on the "low-hanging fruit" from the Hanford site. Assets were distributed to local businesses, given to new start-up businesses in the community, or used as an incentive to lure new industry into the area. Equipment requests were given to the site contractor in charge of surplus material and were filled as well as possible.

TARC management recognized very quickly that while offering surplus items to industry as growth tools or relocation incentives was a benefit, the

community really needed a business recruitment and expansion incentive fund, to become more competitive. TRIDEC could use the fund to offer low- to no-interest loans or

In 1999, TRIDEC formed a subsidiary called the Tri-Cities Asset Reinvestment Company (TARC) to distribute surplus assets into the local economy with the goal of creating jobs.

grants as an incentive to retain companies or attract new facilities to the community.

TARC management approached the DOE Office of Worker and Community Transition (now the Office of Legacy Management) to propose the idea of converting the site's assets into cash for the incentive fund. DOE agreed and allowed TARC to begin the sale of excess equipment.

As a result, TARC's asset disposition activity grew dramatically, and DOE later approached TARC regarding taking over the entire disposition function. The site's prime contractor would still maintain the function of processing all items declared excess – including radiological surveys and identification of sensitive and export control items – but under a no-cost MOU with the local DOE office, the actual disposition of the items would now be TARC's responsibility.

Over time, the TARC operation grew from one of picking out certain assets for immediate use to receiving all surplus property from the 560-square-mile site. Holding capacity was expanded by leasing 10,000 square feet of warehouse space on 1.5 acres. Recognizing that it did not have the capacity to dispose of the massive amount of material that would be coming their way as a consequence of DOE's total outsourcing of this program, TARC hired Science Application International Corporation (SAIC) as the administrative contractor and sought the services of a professional auctioneer to help dispose of the assets. TARC is now the preferred option for asset disposition for site contractors at Hanford, and recently was approached by nearby Battelle Pacific Northwest National Laboratory to handle all its asset disposition needs.

Originally TARC dealt mostly with manufacturing equipment (machining tools, compressors, cranes, etc.), but now was dealing with office furniture and machines, computers by the truckload, and every other type of equipment imaginable surplus off a federal site. The massive amount of inventory coupled with limited space for operations made using a retail model out of the question, so holding public auctions on a monthly basis was the best option remaining. TARC sales have an average attendance of approximately 500 bidders from 15 different states.

TARC today

Fast forward six years and TARC now is a successful community economic development program that has generated nearly \$1 million for the community's business incentive fund. The fund has been used to create or retain nearly 200 jobs. Future plans include offering our expertise to other private sector businesses that may have surplus needs.



As part of the massive cleanup project at the Hanford site, 4.5 miles of an old 24" steamline was removed. A local farmer purchased the pipe to use for irrigation.

Our community is not the only one to have reaped the benefits of the TARC program; U.S. taxpayers have saved millions of dollars as a result of this program. TARC has cleaned out entire buildings and acres of land at ours and our buyers' expense – costs that otherwise would have been borne by the Hanford cleanup budget.

The project not only has allowed for accelerated cleanup of land and facilities, but buildings now can be put into shut-down mode, ceasing all utility use and associated costs. Further, since the buildings are now empty, less security is needed. From fiscal year 2001 to date, DOE Richland estimates that the TARC program has saved nearly \$2.5 million. Of that total savings, \$1.5 million can be attributed to DOE not having to conduct monthly sales or dispose of equipment itself over the past four years.

The goal of TRIDEC and TARC is to prepare affected communities for the ultimate closure of the Hanford facility, which served as the region's primary employment generator for over 60 years. TRIDEC is accomplishing this by redeploying the area's highly skilled workforce and by spinning out technologies created to aid in site cleanup that have private sector uses as well. It also will be done by identifying and implementing productive uses for transitioned land, facilities and equipment. With continued cooperation between TRIDEC and TARC, we are certain our community will continue to grow and prosper as it transitions into a healthy, 21st century economy. ★★

Enterprise Facilitation:

Growing Entrepreneurs One Contact at a Time

Director of
Community
Development,
Kansas
Department of
Commerce

By **Patty Clark**

Owning your own business is the dream of many Americans, and more Americans than ever are taking advantage of opportunities to become entrepreneurs. This trend is especially promising for rural communities, where homegrown businesses are fueling economic growth a handful of jobs at a time.

Like other rural places in the Great Plains, many small, agriculture-based Kansas communities have been losing population as the next generation chooses not to return to the farm. However, new and exciting efforts are under way to create economic opportunities in Kansas from the inside out. Many of these initiatives began at Prosperity Summits – interactive workshops held around the state about the future of economic development in Kansas – at which there was a resounding call to focus time, energy and resources on the rural communities that are the state's backbone. One of these initiatives is "Enterprise Facilitation," a concept the Kansas Department of Commerce implemented in 2001 to help rural entrepreneurs get started and keep their businesses thriving.

Few people had heard of Enterprise Facilitation at that time. The brainchild of Ernesto Sirolli, founder of the Sirolli Institute in Sacramento, California, Enterprise Facilitation is a model that cultivates a "barn-raising" mentality among citizens, which can then be applied to business development. Sirolli's program is being used successfully in rural areas throughout the United States, Canada and Australia. The Kansas Department of Commerce contracted with the Sirolli Institute to use its regional approach to economic development in Kansas.

Enterprise Facilitation uses the best resource rural Kansas has – its own citizens – to jumpstart the process of increasing local capacity. Business owners are motivated by different needs, but those taking advantage of entrepreneurial networks such as Enterprise Facilitation generally fall into these categories:

- Lifestyle entrepreneurs – individuals with a desire to live in or move to rural communities and would like to see their quality of life and communities prosper through more job creation.
- Growth entrepreneurs – existing entrepreneurs who want to enhance their communities by expanding businesses to create more jobs and better resources.
- Immigrant entrepreneurs – second and third generation

immigrants who possess a desire to become successful business owners and operators.

- Transitional entrepreneurs – agricultural producers who must transition to more value-added and direct marketing business creation, and former employees of manufacturing firms who have lost their jobs to out sourcing or downsizing.
- Youth entrepreneurs – enthusiastic and less risk-averse youth who want to start their own businesses.

Through Enterprise Facilitation, communities take ownership of their future and create an entrepreneurial culture in a system-based, accountable approach to business and job creation. While still in their early stages, these projects are already showing promise not only as a way to create new jobs but also as a way to create a renewed sense of community.

There are now five separate Enterprise Facilitation projects throughout Kansas, organized in groups of five to six counties: Western Kansas (including Wichita); Prairie Enterprise Project, in central Kansas; Sunflower, in south central Kansas; QUAD, in the southeast; and Northeast Kansas. Each region faces unique challenges and opportunities, but by drawing on local resources, they are finding success.

How Enterprise Facilitation works

Enterprise Facilitation operates under the premise that an individual possesses the skills and passion to perform one or possibly two functions of operating a business – marketing, production or financial management – but can't operate a business effectively without assistance in those areas where talent or passion are lacking.

Communities start by forming an Enterprise Facilitation board that is a broad representation of the communities and various stakeholders within their region. Citizens are invited to serve on this board and are interviewed by consultants from the Sirolli Institute. Between 35 and 50 citizens are selected and each citizen must attend board training sessions, which are the first step in developing local capacity. The

Key among the responsibilities of the board is the personal commitment board members make to introduce the Enterprise Facilitator to 10 people each.

board is engaged, in a confidential way, to use local knowledge and resources to help entrepreneurs create a product or service, market it, or build financial management capacity.

The board receives training from the Sirolli Institute on developing policies and board member responsibilities and on recruiting an Enterprise Facilitator. A professional search is conducted to hire the Enterprise Facilitator, who along with the new board members, receives one-week, in-depth training to build local capacity. Key among the responsibilities of the board is the personal commitment board members make to introduce the Enterprise Facilitator to 10 people each. This creates a network through which potential entrepreneurs can learn that a free, confidential service is available, and the Enterprise Facilitator can learn of entrepreneurs who are looking for assistance. The goal is not only to make connections in the short-term but to create a sustainable, long-term network for entrepreneurship.

The Enterprise Facilitator makes connections between entrepreneurs and various people in the community who can assist with business development. Facilitators rely on the introductions of their board members to advertise their services and let the entrepreneur initiate the working relationship. The board training and salary of the Enterprise Facilitator are paid with funds raised locally from local public and private sources.

One example of Enterprise Facilitation at work is the experience of Diamond S Manufacturing in Eureka. Mark and Denise Stewart are not typical entrepreneurs. Mark owns a ranching operation and a manufacturing and welding business, while his wife Denise operates a family-owned retail store, a Laundromat and oversees several rental properties.

The Stewarts were familiar with the type of help available through Enterprise Facilitation. They saw the opportunity to combine what they were doing at Diamond S Manufacturing with the services provided by Denner Welding, a long-time Eureka business whose owners were ready to retire. Without a buyer for the business, the community would lose a shop for farm equipment repair and other services the Denners had provided. With the help of the QUAD Enterprise Facilitator, the Stewarts negotiated a deal to purchase all the assets of Denner Welding and expand their operation in Eureka. This helped retain jobs that otherwise would have been lost, and also maintained valuable services in the community.

The benefits for Kansas communities

Enterprise Facilitation creates jobs, draws together resources and helps companies prosper. Perhaps equally important, it also can provide a reality check for entrepreneurs who are looking to get started. They may realize after talking to the Enterprise Facilitator and putting a plan in writing that their business might not be profitable, an assessment that ultimately can save money and effort from being put into an enterprise that is unlikely to succeed. It isn't the Enterprise Facilitator's role to tell the entrepreneur if the idea will work or not, but the Facilitator can help the person to put the pieces of the business puzzle together to determine the chances of success for themselves.

To date, using \$1.26 million in state investment and approximately \$312,000 in local investment, Enterprise Facilitation projects have assisted 663 clients, created 64 businesses, retained 34 businesses, expanded 20 businesses, and created or retained 302 jobs. After initial setup of an Enterprise Facilitation project, the cost per job created averages less than \$3,000. For rural Kansas, that's money well spent. ★★

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